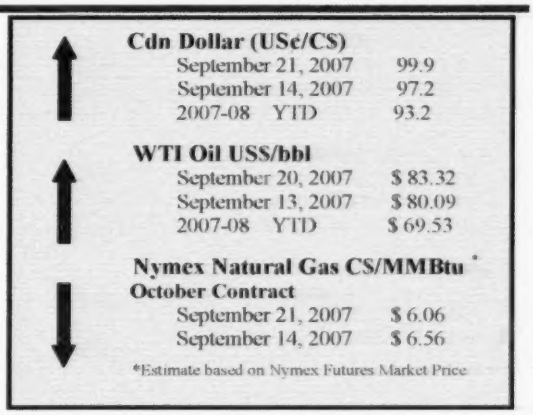
WEEKLY ECONOMIC REVIEW

September 21, 2007

The Canadian dollar reached parity against the U.S. dollar on Thursday for the first time in almost 31 years, boosted by high oil and metal prices, a strong domestic economy and lower U.S. interest rates.

The U.S. Federal Reserve slashed the federal funds rate from 5.25% to 4.75% on Tuesday, the first cut since June 2003. The Fed acknowledged that "the tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth more generally" and that the rate cut "is intended to help forestall some of the adverse effects on the broader economy". Although inflation still remains a concern, a slight dip in August CPI inflation (-0.1%) has lessened inflationary worries for now.

Alberta's annual CPI inflation rate slowed to 4.7% in August, the lowest since February 2007, mainly because of a drop in gasoline prices. Although the increase in homeowners' replacement costs remained the largest contributor to inflation, the annual rate of increase moderated to 17.6% in August, down from nearly 45% in the second half of 2006. Nationally, CPI inflation fell to its lowest level (1.7%) in eight months. Also, the Bank of Canada's annual core inflation slowed to 2.2% in August from 2.3% in July.


Cdn Dollar (US¢/C$)
September 21, 2007 99.9
September 14, 2007 97.2
2007-08 YTD 93.2
WTI Oil US$/bbl
September 20, 2007 $ 83.32
September 13, 2007 $ 80.09
2007-08 YTD $ 69.53
Nymex Natural Gas C$/MMBtu *
October Contract
September 21, 2007 $ 6.06
September 14, 2007 $ 6.56
*Estimate based on Nymex Futures Market Price

Although retail sales in Alberta fell slightly in July, the sales rose by 11% in the first seven months of 2007. For the second month in a row, Canadian retail sales decreased by 0.8% in July, mainly due to a drop in the automotive sector.

In contrast to a 2.7% decrease in Canada, new motor vehicle sales in Alberta rose by 0.3% in July, following a strong growth of 3.9% in June.

Oil prices climbed to a new high of US$83.32 for the seventh consecutive session on Thursday, on a weak U.S. dollar and storm fears in the Gulf of Mexico. However, the price of natural gas fell because of high storage levels and a mild U.S. weather forecast.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month(Y/Y)	Year-to-date[1]
Consumer Price Index	**August**			
Alberta (2002=100)	119.3	0.2%	4.7%	5.1%
Canada (2002=100)	111.7	-0.3%	1.7%	2.0%
United States (1982-1984=100)	207.7	-0.1%	1.9%	2.4%
New Motor Vehicle Sales	**July**			
Alberta	22,278	0.3%	4.7%	7.0%
Canada	139,345	-2.7%	0.3%	3.1%
Retail Sales ($ Millions)				
Alberta	5,210	-0.2%	9.2%	11.0%
Canada	34,333	-0.8%	4.5%	6.0%

Source: Statistics Canada, U.S. Census Bureau
[1]Year-to-date 2007 compared to the same period in 2006